

## **Lt. Governor Garamendi Requests Additional Oil and Gas Lease Auditors to Bolster State Coffers by \$5 Million**

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SACRAMENTO – Lieutenant Governor John Garamendi, the chair of the California State Lands Commission (SLC), today requested the addition of three temporary SLC auditors and a staff assistant to monitor California’s significant revenue producing oil and gas leases.

“It is penny-wise and dollar foolish not to hire auditors who can stop the oil companies from cheating the state on oil royalties. The annual cost for these positions would be approximately \$460,000 with a return of \$4 to \$5 million dollars to our cash-strapped state,” Lieutenant Governor John, chair of the California State Lands Commission said at the meeting in Sacramento.

“As oil prices continue to climb, the substantial state oil and gas leases need additional auditor watchdogs so California does not lose any revenues it is entitled to. With the recession and the state’s General Fund revenues lagging, the oil and gas claims are needed more than ever to sustain the needs of California’s working families, students, seniors, disabled, health care clinics and colleges.”

Garamendi’s request came following an update on the Mineral Land Audit Program which revealed in 2008-09, oil and gas auditors recovered \$4.2 million, averaging \$1.4 million per auditor. The audit update also showed potential recoveries will increase with higher oil prices.

A Joint Legislative Budget Committee report approved by the SLC last December, stated audit recoveries for periods of increased staffing was \$1.6 million higher per year. It also highlighted that audit findings not only resulted in immediate recoveries but enhanced future revenue flow by correcting repeated reporting errors. The report recommended that an additional three auditors be added to meet statutory limitations.

At the California State Lands Commission meeting today, Garamendi requested the executive officer of the SLC send a letter to the Governor and the Director of the Department of Finance formally requesting the additional positions. The positions could be limited term budget items and if approved, could take effect in January.

Since 1997, the SLC auditing staff has been reduced from seven auditors and one support staff to three auditors and no support staff. As a result, the projected audit frequency of the largest oil and gas leases is about every 7 to 9 years, drastically increasing the chances of losing millions in revenues to California.